

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

JUNE 30, 2006 AND 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/22/06

THE LSU IN SHREVEPORT FOUNDATION, INC.

SHREVEPORT, LOUISIANA

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September 15, 2006

Board of Directors
The LSU in Shreveport Foundation, Inc.
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statements of financial position of The LSU in Shreveport Foundation, Inc. at June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The LSU in Shreveport Foundation, Inc. at June 30, 2006 and 2005, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2006 AND 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	77,345	50,254
Certificates of deposit-Note 3	-	75,000
Accrued interest receivable	-	4
Investments-Notes 3 and 7	10,252,244	8,151,151
Donated building-held for sale-Note 7	32,500	-
Accounts receivable-Note 7	107,290	1,758
Deferred charges	<u>3,970</u>	<u>20,092</u>
Total assets	<u>10,473,349</u>	<u>8,298,259</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	23,498	11,674
Deferred revenue	42,625	46,475
Due to LSU in Shreveport-Note 6	2,827,435	1,981,948
Other liabilities	<u>75,656</u>	<u>59,681</u>
Total liabilities	2,969,214	2,099,778
<u>Net assets:</u>		
Unrestricted	503,294	503,839
Temporarily restricted-Note 4	1,081,921	446,347
Permanently restricted-Note 5	<u>5,918,920</u>	<u>5,248,295</u>
Total net assets	<u>7,504,135</u>	<u>6,198,481</u>
Total liabilities and net assets	<u>10,473,349</u>	<u>8,298,259</u>

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and revenue:</u>				
Memberships and contributions	114,367	-	-	114,367
Restricted contributions:				
College of Business	-	14,810	-	14,810
College of Education	-	9,859	24,750	34,609
General Instruction	-	94	88,749	88,843
Division of Continuing Education	-	10,445	-	10,445
College of Liberal Arts	-	59,621	169,507	229,128
College of Science	-	649,836	11,250	661,086
Library	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	27,252	-	27,252
Scholarships and Fellowships	-	146,417	94,685	241,102
Athletics	-	46,662	-	46,662
Endowment management fees	90,378	-	-	90,378
Investment income	50,625	-	358,602	409,227
Net realized and unrealized gains (losses) on investments	(44,057)	-	92,114	48,057
Total support and revenue	211,313	964,996	839,657	2,015,966
<u>Net assets released from restrictions</u>	498,454	(329,422)	(169,032)	-
<u>Expenses:</u>				
Faculty and staff support programs	1,685	-	-	1,685
University support programs	95,145	-	-	95,145
Program administration	115,028	-	-	115,028
Direct program expenses:				
College of Business	33,069	-	-	33,069
College of Education	3,906	-	-	3,906
General Instruction	8,573	-	-	8,573
Division of Continuing Education	17,699	-	-	17,699
College of Liberal Arts	114,730	-	-	114,730
College of Science	92,863	-	-	92,863
Library	31,847	-	-	31,847
Student Services	-	-	-	-
Institutional Support	5,630	-	-	5,630
Scholarships and Fellowships	160,817	-	-	160,817
Athletics	29,320	-	-	29,320
Total expenses	710,312	-	-	710,312
<u>Change in net assets</u>	(545)	635,574	670,625	1,305,654
<u>Net assets at beginning of year</u>	503,839	446,347	5,248,295	6,198,481
<u>Net assets at end of year</u>	503,294	1,081,921	5,918,920	7,504,135

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2005			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and revenue:</u>				
Memberships and contributions	102,398	-	-	102,398
Restricted contributions:				
College of Business	-	6,805	-	6,805
College of Education	-	8,100	70,000	78,100
General Instruction	-	2,904	95,352	98,256
Division of Continuing Education	-	47,300	-	47,300
College of Liberal Arts	-	114,450	12,500	126,950
College of Science	-	39,975	-	39,975
Library	-	-	60	60
Student Services	-	33	-	33
Institutional Support	-	6,039	23,000	29,039
Scholarships and Fellowships	-	59,593	49,326	108,919
Athletics	-	18,246	-	18,246
Endowment management fees	68,180	-	-	68,180
Investment income	54,221	-	178,766	232,987
Net realized and unrealized gains on investments	<u>25,024</u>	<u>-</u>	<u>235,459</u>	<u>260,483</u>
Total support and revenue	249,823	303,445	664,463	1,217,731
<u>Net assets released from restrictions</u>	441,023	(296,956)	(144,067)	-
<u>Expenses:</u>				
Faculty and staff support programs	3,191	-	-	3,191
University support programs	64,283	-	-	64,283
Program administration	94,854	-	-	94,854
Direct program expenses:				
College of Business	27,454	-	-	27,454
College of Education	10,453	-	-	10,453
General Instruction	5,070	-	-	5,070
Division of Continuing Education	35,291	-	-	35,291
College of Liberal Arts	135,329	-	-	135,329
College of Science	33,113	-	-	33,113
Library	29,271	-	-	29,271
Student Services	33	-	-	33
Institutional Support	2,090	-	-	2,090
Scholarships and Fellowships	158,005	-	-	158,005
Athletics	<u>4,914</u>	<u>-</u>	<u>-</u>	<u>4,914</u>
Total expenses	<u>603,351</u>	<u>-</u>	<u>-</u>	<u>603,351</u>
<u>Change in net assets</u>	87,495	6,489	520,396	614,380
<u>Net assets at beginning of year</u>	<u>416,344</u>	<u>439,858</u>	<u>4,727,899</u>	<u>5,584,101</u>
<u>Net assets at end of year</u>	<u>503,839</u>	<u>446,347</u>	<u>5,248,295</u>	<u>6,198,481</u>

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	1,305,654	614,380
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (increase) in the fair value of investments	(83,419)	(355,166)
Donated investments	(595,599)	-
Donated building	(32,500)	-
Decrease in accrued interest receivable	4	636
(Increase) in accounts receivable	(105,532)	(1,368)
Decrease (increase) in deferred charges	16,122	(18,707)
Increase in accounts payable	11,824	1,052
(Decrease) increase in deferred revenue	(3,850)	1,150
Increase in due to LSU in Shreveport	845,487	226,482
Increase (decrease) in other liabilities	15,975	(26,779)
Total adjustments	<u>68,512</u>	<u>(172,700)</u>
Net cash provided by operating activities	1,374,166	441,680
<u>Cash flows from investing activities:</u>		
Purchases of certificates of deposit	(375,000)	(150,000)
Maturities of certificates of deposit	450,000	171,883
Purchases of investments	(1,422,075)	(745,828)
Redemptions of investments	-	202,000
Net cash (used) by investing activities	<u>(1,347,075)</u>	<u>(521,945)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	27,091	(80,265)
<u>Cash and cash equivalents-beginning of year</u>	<u>50,254</u>	<u>130,519</u>
<u>Cash and cash equivalents-end of year</u>	<u>77,345</u>	<u>50,254</u>

The accompanying notes are an integral part of the financial statements.

THE LSU IN SHREVEPORT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

1. Nature of Business.

The LSU in Shreveport Foundation, Inc. (Foundation) is a private, nonprofit corporation governed by a board of directors. The organization's goal is to promote the education and cultural welfare of Louisiana State University in Shreveport (LSUS). The organization's activities include management of gifts, grants and endowments for the purpose of providing scholarships, research activities and any other such benefit for the University and its faculty and students as may be prescribed by donors to the corporation.

LSUS Realty, LLC was formed on December 15, 2000. The purpose of LSUS Realty, LLC is to accept property donated to the Foundation. The Foundation is the sole member of LSUS Realty, LLC and, therefore, the activity of LSUS Realty, LLC has been consolidated with that of the Foundation. All of the assets and net assets of LSUS Realty, LLC were moved to the unrestricted net assets of the Foundation during the year ended June 30, 2002. There was no activity recorded by LSUS Realty, LLC during the years ended June 30, 2006 and 2005.

2. Summary of Significant Accounting Policies.

- a. The financial statements of the Foundation are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation, and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

The statement of activities presents expenses of the Foundation's operations functionally between faculty and staff support programs, University support programs, program administration and direct program expenses.

- b. In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

2. Summary of Significant Accounting Policies. (Continued)

- c. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- d. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.
- f. The LSU in Shreveport Foundation, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.
- g. Investments are reported at fair value, which is determined by the last reported sales price at current exchange rates, if traded on a national exchange, and investments that do not have an established market are reported at estimated fair value. Cash deposits are recorded at carrying amount which reasonably estimates fair value. Fixed income securities are generally valued by reference to outside pricing services, generally using a matrix system incorporating security quality, maturity, and coupon as the valuation model parameters, research, and a review of broker-dealer market price quotations. Short-term investments are valued at amortized cost which approximates market value.
- h. Material in-kind donations received by the Foundation are recorded at fair value as contributions revenue along with a corresponding charge to expense. Material in-kind donations were \$30,272 and \$-0- for the years ended June 30, 2006 and 2005, respectively.
- i. Certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation.

3. Investments.

As of June 30, 2006 and 2005, the investments of all funds consisted of certificates of deposit, trust assets, investment in the Common Fund, and investment in Charles Schwab, which are recorded at market value, as detailed below:

	<u>2006</u>		<u>2005</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
<u>Certificates of deposit:</u>				
Hibernia National Bank		-	3.26%	75,000
		-		75,000

3. Investments. (Continued)

	<u>2006</u>		<u>2005</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>Investments:</u>				
Charles Schwab & Company, Inc. Pool:				
Cash and money market funds	33,622	33,622	122,711	122,711
Fixed income-U.S. govern- ment obligations	3,141,535	3,273,142	2,779,682	2,760,539
Fixed income-CMO and asset backed securities	371,445	395,461	203,746	199,338
Bond funds	926,374	969,728	965,559	969,728
Equity funds	5,178,491	4,569,196	4,074,275	3,762,499
Corporate bonds held by Merrill Lynch	5,178	5,000	5,178	5,000
Smith Barney-Note 7:				
Cash and mutual funds	119,393	119,393	-	-
Certificates of deposit	241,285	241,285	-	-
Bond funds	24,522	24,522	-	-
Equities	<u>210,399</u>	<u>210,399</u>	<u>-</u>	<u>-</u>
	<u>10,252,244</u>	<u>9,841,748</u>	<u>8,151,151</u>	<u>7,819,815</u>

The fair value of the position in the pool is the same as the value of the pool shares. Charles Schwab is SEC-registered, and there is regulatory oversight for investments held by Charles Schwab.

Unrealized gains during the year ended June 30, 2006, were \$83,419, which included \$48,057 as a gain to the Foundation and \$35,362 shown as an increase in funds due to LSU in Shreveport. Unrealized gains during the year ended June 30, 2005, were \$355,166, which included \$260,483 as a gain to the Foundation and \$94,683 shown as an increase in funds due to LSU in Shreveport.

The investments held by Charles Schwab & Company, Inc., the bonds held by Merrill Lynch, and the investments held by Smith Barney totaling \$10,252,244 and \$8,151,151 at June 30, 2006 and 2005, respectively, were uninsured and were not collateralized. Cash and certificates of deposits are federally insured by the FDIC up to \$100,000. Deposits in excess of FDIC limits total \$7,811 and \$11,061 at June 30, 2006 and 2005, respectively, for a total of \$10,260,055 and \$8,162,212 in off-balance sheet risk, respectively. The possibility of loss exists if the investment fund holding uninsured deposits were to fail.

4. Temporarily Restricted Net Assets.

Temporarily restricted net assets consisted of the following as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
College of Business	20,478	15,152
College of Education	13,199	5,707
General Instruction	33,019	32,925
Division of Continuing Education	19,507	26,761
College of Liberal Arts	121,200	140,676
College of Science	647,223	79,060
Library	10,905	20,303
Institutional Support	30,540	6,079
Scholarships and Fellowships	112,393	63,569
Athletics	<u>73,457</u>	<u>56,115</u>
Total temporarily restricted net assets	<u>1,081,921</u>	<u>446,347</u>

5. Permanently Restricted Net Assets.

Permanently restricted net assets consisted of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
College of Business	943,473	892,081
College of Education	156,415	123,091
General Instruction	361,781	256,926
College of Liberal Arts	1,522,510	1,277,176
College of Science	331,474	305,759
Library	455,292	440,429
Institutional Support	109,743	103,786
Scholarships and Fellowships	<u>2,038,232</u>	<u>1,849,047</u>
	<u>5,918,920</u>	<u>5,248,295</u>

6. Due to LSU in Shreveport.

The amount due to LSU in Shreveport represents the state matched funds which are being held and invested for the University by the LSU in Shreveport Foundation for the following endowed chairs and professorships as of June 30:

	<u>2006</u>	<u>2005</u>
Jerry D. Boughton Professorship in Business	44,557	43,196
BellSouth Professorship in Business	44,528	43,196
Kilpatrick Life Insurance Chair	653,499	97,022
Oscar Cloyd Real Estate Professorship	98,325	91,703
Wesson-Bridger Professorship in Teacher Education	43,704	-
Dalton J. Woods Professorship in Teaching	41,034	-
Elmer N. Simon, Jr. Professorship for Excellence in Teaching	44,889	43,664
Joe and Abby Averett Professorship in Business	44,585	43,196
Vincent J. Marsala Alumni Professorship	42,445	-
Leonard and Mary Ann Selber Professorship	40,000	-
Fred and Sybil Patten Excellence in Teaching in Liberal Arts Professorship	48,198	47,110
India Studies Professorship	49,901	48,440
George A. Khoury, Jr. Professorship in American Humanics	52,668	50,826
American Studies Chair	558,523	533,637
James K. Elrod Professorship in Health Care Administration	93,442	49,835
George and Regina Khoury Professorship in Science	53,442	49,835
Dr. Richard K. Speairs Professorship in Field Biology	51,489	49,650
Don and Earlene Coleman Red River Watershed Management Institute Professorship	48,742	46,674
AEP SWEPCO LaPrep Professorship	52,874	50,931
Ruth H. Noel Chair	<u>720,590</u>	<u>693,033</u>
	<u>2,827,435</u>	<u>1,981,948</u>

7. Estate of Abe I. Sadoff

On June 28, 2006, a judgment of possession was rendered and signed transferring assets valued at \$655,390 from the Estate of Abe I. Sadoff to the Foundation. The transfer of assets was recorded as a temporarily restricted contribution to be used for scholarship purposes at Louisiana State University in Shreveport.

The following assets were transferred to the Foundation and reflected in the Foundation's financial statements as of June 30, 2006:

Receivable from AmSouth	2,228
Receivable from Merrill Lynch	25,063
Investments held by Smith Barney	595,599
Building held for sale	<u>32,500</u>
	<u>655,390</u>

The funds due from AmSouth and Merrill Lynch as of June 30, 2006, were received and deposited by the Foundation in July 2006. The Foundation sold the donated building at fair market value in July 2006. The investments which were held by Smith Barney as of June 30, 2006, were transferred to the Charles Schwab & Company, Inc. pool account in August 2006.